

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON, D. C. 20224

Industry Circular No. 67-1

February 23, 1967

INVENTORY SHORTAGES OF CIGARS AND CIGARETTES

Manufacturers of tobacco products:

This is to remind you that the regulations in 26 CFR 270.255 require that the tax be paid by adjustment in the next tax return for all shortages of packaged cigars and cigarettes disclosed by physical inventory. This section of regulations also requires that all overages and shortages of cigars and cigarettes disclosed by physical inventory be reported on the monthly report for the month in which the overages and shortages were disclosed.

The tax does not have to be paid at such time on unpackaged products or on those products for which the packaged status cannot be determined from your records - i.e., if your records do not show whether the products were packaged or unpackaged. Such shortages should be taxpaid or a claim for remission filed when called for by the Assistant Regional Commissioner (Alcohol and Tobacco Tax). This claim will usually be called for by the Alcohol and Tobacco Tax Inspector during a periodic inspection at the factory.

While the regulations and the monthly report forms do not require separate reporting of "packaged" and "unpackaged" shortages, if your records enable you to do so you may prefer to make such a distinction on your monthly report. This may make it easier for you to ascertain that tax is paid by adjustment on the tax returns for all shortages of packaged cigars and cigarettes.

Inquiries regarding this circular should refer to its number and be addressed to the office of your Assistant Regional Commissioner, Alcohol and Tobacco Tax.

Harold A. Serr
Director, Alcohol and Tobacco Tax Division